Fiscal Note 2011 Biennium

GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Bill #	HB0020	**Title:**	Create weatherization account using oil and gas production tax
Primary Sponsor:	Dickenson, Sue	**Status:**	As Introduced

- ☐ Significant Local Gov Impact
- ☑ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☐ Significant Long-Term Impacts
- ☑ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2010 Difference	FY 2011 Difference	FY 2012 Difference	FY 2013 Difference
Expenditures:				
State Special Revenue	$5,545,000	$5,828,000	$6,411,000	$6,668,000
Revenue:				
General Fund	($5,545,000)	($5,828,000)	($6,411,000)	($6,668,000)
State Special Revenue	$5,545,000	$5,828,000	$6,411,000	$6,668,000
Net Impact-General Fund Balance	($5,545,000)	($5,828,000)	($6,411,000)	($6,668,000)

Description of fiscal impact:
This bill would reallocate 5% of the state portion of oil and gas production tax from the general fund to a new weatherization special revenue fund within Department of Public Health and Human Services (DPHHS) for use in weatherizing eligible homes.

FISCAL ANALYSIS

Assumptions:

Department of Revenue

1. Under current law, percentages of the oil and gas production tax are allocated to the board of oil and gas to pay its expenses; to the oil, gas, and natural resource special revenue account; and to the counties where production occurred. The rest of the tax, called the state portion, is allocated first to several state special revenue funds, and then the remainder is allocated to the general fund. The state portion is expected to be 49.7186% of the total in FY 2010 through FY 2013. The general fund is allocated 90.23% of the state portion in FY 2010 and FY 2011 and 90.22% of the state portion beginning in FY 2012.

2. This bill would allocate 5% of the state portion to a new weatherization state special revenue fund beginning in FY 2010. (See Technical Note on timing.) This would reduce the general fund percentage of the state portion to 85.23% in FY 2010 and FY 2011 and to 85.22% beginning in FY 2012.
3. The new weatherization state special revenue fund would receive 2.486% (5% x 49.719%) of total collections.
4. The HJR 2 revenue estimate for total oil and natural gas tax revenue is $223.057 million in FY 2010 and $234.451 million in FY 2011. OBPP estimates a growth of 10% in FY 2012 and 4% in FY 2013.
5. The 5% allocate in this bill would be $5.545 million in FY 2010, $5.828 million in FY 2011, $6.411 million in FY 2012, and $6.668 million in FY 2013 to the new weatherization state special revenue fund and reduce revenue to the general fund by the same amount.
6. This bill would require modifications to the Department of Revenue's data processing system to change the allocation of oil and gas production tax. It is estimated that the changes would require 100 hours of programming and 80 hours of testing. The programming would be done as part of the software vendor's annual maintenance contract and the testing would be done by department employees. There would be no additional monetary costs, but resources would be diverted from their normal uses.

The Department of Health and Human Services

7. The Department of Health and Human Services would use the allocated funds to weatherize homes of low income Montanans.
8. The average cost to weatherize a home is $3,500.
9. The increase of Weatherized homes would be 1,584 in FY 2010, 1,665 in FY 2011, 1,832 in FY 2012, and 1,905 in FY 2013.
10. There will be no addition of FTE and the increase in funding will complement the current program.

	FY 2010 Difference	**FY 2011 Difference**	**FY 2012 Difference**	**FY 2013 Difference**
Fiscal Impact:				
Department of Health and Human Services				
Expenditures:				
Benefits	$5,545,000	$5,828,000	$6,411,000	$6,668,000
TOTAL Expenditures	$5,545,000	$5,828,000	$6,411,000	$6,668,000
Funding of Expenditures:				
State Special Revenue (02)	$5,545,000	$5,828,000	$6,411,000	$6,668,000
TOTAL Funding of Exp.	$5,545,000	$5,828,000	$6,411,000	$6,668,000
Department of Revenue				
Revenues:				
General Fund (01)	($5,545,000)	($5,828,000)	($6,411,000)	($6,668,000)
State Special Revenue (02)	$5,545,000	$5,828,000	$6,411,000	$6,668,000
TOTAL Revenues	$0	$0	$0	$0
Net Impact to Fund Balance (Revenue minus Funding of Expenditures):				
General Fund (01)	($5,545,000)	($5,828,000)	($6,411,000)	($6,668,000)
State Special Revenue (02)	$0	$0	$0	$0

<u>Technical Notes:</u>

1. The oil and gas production tax is paid quarterly. Taxes for the fourth quarter of a fiscal year, April through June, are due by the end of August, and the department distributes them in October. As part of the fiscal year closeout process, the department accrues an estimate of taxes due for the fourth quarter as revenue for the just-completed fiscal year.

   Section 4 makes this bill effective July 1, 2009. It is not clear whether the intent is for the bill to apply to taxes on production after this date, to taxes collected after this date, or to taxes distributed after this date. This should be clarified by adding language to the effect that "This act applies to taxes on production after June 30, 2009" (or another date).

   This fiscal note assumes that the change in allocation is to apply to taxes on production after June 30, 2009.

2. Services for weatherization programs are allocated for the weatherization account but not appropriated. An Appropriation will be needed in HB2.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*

a) Are there persons or entities that benefit from this dedicated revenue that do not pay?

Yes, the recipients of the weatherization funds are not impacted by this tax, unless they are employed in oil and gas production, and would still only be an indirect impact.

b) What special information or other advantages exist as a result of using a state special revenue fund that could not be obtained if the revenue were allocated to the general fund?
Would ensure that more dedicated revenue would go directly to the expansion of the weatherization program and not be re-directed to other general fund programs.

c) Is the source of revenue relevant to current use of the funds and adequate to fund the program activity that is intended?
Yes, The funds would expand the weatherization program, but would not be enough to fully fund every family that qualifies for this program.

d) Does the need for this state special revenue provision still exist?
Yes, weatherization continues to be an issue with Montana families, especially during a time of economic uncertainty and rapidly fluctuating energy prices.

e) Does the dedicated revenue affect the legislature's ability to scrutinize budgets, control expenditures, or establish priorities for state spending?
Yes, the revenue allocation will show direct benefit in the expansion of the weatherization program, in terms of the relation between the amount of revenue dedicated to the program, the number of homes able to be funded, the amount of energy saved, and the amount of carbon reduction achieved through weatherization.

f) Does the dedicated revenue fulfill a continuing, legislatively recognized need?
Yes, this revenue supplements the federal government's Weatherization Assistanace Program and Low Income Home Energy Assistance Program (LIHEAP) as provided in MCA Section 90-4-201.

g) How does the dedicated revenue provision result in accounting/auditing efficiencies or inefficiencies in your agency?
Accounting policies require that monies need to be segregated to achieve sound and expeditious financial administration and reporting.